Borough of Waldwick

Harrison Ave Redevelopment Project

Phoenix Advisors

August 25, 2026

Borough Council Meeting

PILOT Basics

- A PILOT, or "payment in lieu of tax", is an amount that a property owner pays to a municipality pursuant to a financial agreement instead of paying generally applicable real estate taxes on the property.
  - **Common misconception ----> "PILOT = No Taxes"**
- Governed by Long-Term Tax Exemption Law (*N.J.S.A. 40A:20-1 et seq*):
  - Establishes financial minimums, required escalation and term.
  - Includes profit limitations and audit requirements for Developers.
  - Amounts due are a municipal lien similar to conventional taxes.
- PILOTs promote redevelopment in areas that need revitalization, fulfill affordable housing obligations and offset extraordinary costs (environmental clean up, market factors, site/density/zoning restrictions, etc.).
- The combination of risk associated with speculative real estate projects and uncertainty of future conventional taxes make marginal projects difficult to finance in private capital markets.

Need for PILOT

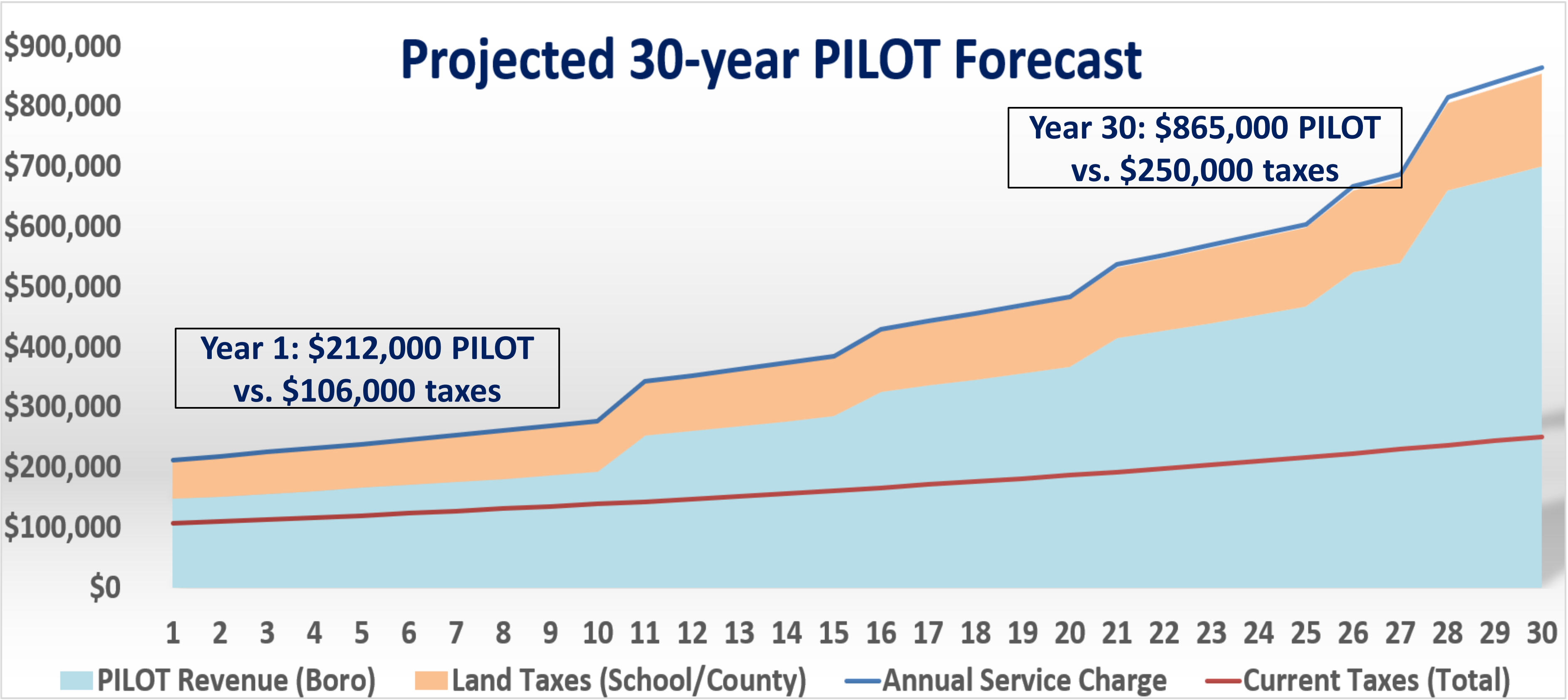
Financial Return Model		
	PILOT	Conv. Tax
Annual Gross Revenue	$2,123,000	$2,123,000
Less:		
Operating Expenses	397,000	397,000
PILOT/Taxes	217,000	458,929
Debt Repayment	1,258,000	1,258,000
	1,872,000	2,113,929
Cash Flow	$251,000	$9,071
Total Project Costs	$26,835,000	$26,835,000
IRR	10.90%	5.70%
DSCR	1.20x	1.01x
Unlevered Return	5.60%	4.80%

From operating cash flows alone, the Project doesn't break even until year 15.

- The PILOT is vital to the success of the Project.
- Helps offset high development costs, affordable housing obligation and density, building height and zoning restrictions.
- Project is not financeable under conventional taxes.
- Equity investors and private lenders will not invest/underwrite at these levels.
- **Current risk-free return from 10-year U.S. Treasury bond is 4.75%.**

(1) Internal Rate of Return ("IRR") is a financial metric used to estimate the profitability of a potential investment that accounts for equity contributions, operating income over time, a 10-year capitalization via sale and the time value of money.

Projected PILOT Payments



<u>30-Year Total</u> ----> Gross PILOT payments of **$13.3 million** to all taxing entities as compared to only **$5 million** from current taxes.

Estimated Municipal/School Costs

****LOW END – ACTUAL DATA FROM WALDWICK STATION****

PROJECTED SCHOOL CHILDREN - WALDWICK STATION ACTUAL					
Unit Description	Unit Count	Applicable Multiplier	Projected Pupils	Est. Cost per Pupil	Total Cost
3-BR TH (MKT)	21	0.081	1.7	$15,391	$26,000
2-BR APT (MKT)	10	0.081	0.8	15,391	12,000
1-BR APT (MKT)	2	0.081	0.2	15,391	2,000
1.5-BR APT (MKT)	3	0.081	0.2	15,391	4,000
3-BR (AFF)	1	0.081	0.1	15,391	1,000
2-BR (AFF)	4	0.081	0.3	15,391	5,000
1-BR (AFF)	1	0.081	0.1	15,391	1,000
	42		**3.4**		**$51,000**

****HIGH END – RUTGERS DEMOGRAPHIC MULTIPLIERS****

PROJECTED SCHOOL CHILDREN - RUTGERS MULTIPLIERS					
Unit Description	Unit Count	Applicable Multiplier	Projected Pupils	Est. Cost per Pupil	Total Cost
3-BR TH (MKT)	21	0.681	14.3	$15,391	$220,000
2-BR APT (MKT)	10	0.196	2.0	15,391	30,000
1-BR APT (MKT)	2	0.143	0.3	15,391	4,000
1.5-BR APT (MKT)	3	0.196	0.6	15,391	9,000
3-BR (AFF)	1	1.087	1.1	15,391	17,000
2-BR (AFF)	4	0.408	1.6	15,391	25,000
1-BR (AFF)	1	0.088	0.1	15,391	1,000
	42		**20.0**		**$306,000**

- The estimated new students of between 4-20 represent less than a 1% increase to enrollment.
- The School District's enrollment has fluctuated by 25 students annually over the last five (5) years.
- The projected costs are likely overly conservative as they do not account for any economies of scale, grade levels or other operating efficiencies.

- The estimated 128 residents represents a 1.2% increase to total population.
- The Borough expects a modest impact on public safety and emergency services expenditures, which are viewed as non-material relative to budget.

(1) Based on applicable demographic multipliers per the Rutgers Bloustein Nov. 2018 study, "Who Lives in New Jersey Housing?".
(2) School costs are based on the Cost of Classroom Spending per the 2026-27 User Friendly Budget.
(3) Municipal costs are based on a per capita cost of public safety services per the 2026 Adopted Budget.
(4) Numbers may not add due to rounding.

Community Benefits

- The Project is a **$26.8 million** investment into the Borough and will generate local spending, temporary/permanent jobs and revitalization the downtown.
- Gross revenue of **$13.3 million** to all taxing entities over PILOT term.
- The Developer will pay an upfront community benefit contribution of **$200,000**.
- The School District and the County will continue to collect conventional taxes on the land portion of the assessment (**~$65,000** annually).
- The School District and the County have budget-based tax levies and will continue to collect every dollar of their budgets regardless of the status of this property. **PILOTs do not <u>add</u> or <u>subject</u> any revenue from the School District or County.**
- The PILOT will (i) generate additional revenue; (ii) create new affordable housing units in accordance with their fair share housing obligations; (iii) boost local economy; (iv) provide a long-term ratable; and (v) restore the subject properties to their highest and best use.